

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
DECEMBER 11, 2003

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 30 South Meridian Street, Suite 300, Indianapolis, Indiana, on Thursday, December 11, 2003. Present from the Department were: Charles W. Phillips, Director; J. Philip Goddard, Chief Counsel, Deputy Director, and Secretary; James M. Cooper, Deputy Director; Kirk J. Schreiber, Senior Bank Analyst; Gina R. Williams, Senior Bank Analyst; Mark K. Powell, Supervisor, Credit Union Division; Mark Tarpey, Supervisor, Consumer Credit Division; Chuck T. Stumpf, Deputy Director, Administration Division; John Schroeder, Supervisor, Administration Division; Gloria Thompson, Credit Union Division and Ronda Bailey, Administrative Assistant. Also attending the meeting was Michael R. Brown, Vice President of Executive Media.

I. EXECUTIVE SESSION:

Mark Powell opened the session that was authorized by IC 5-14-1.5-6.1(b)(7) for purposes of discussing the review of the continuing report of examination of Jet Credit Union, Indianapolis, Marion County, Indiana, which is confidential as provided in IC 28-1-2-30.

II. PUBLIC SESSION:

A.) In Attendance: David Bochnowski, Chairman, Tony Zaleski, David Baer, Briget Polichene and Michael Davis. Loretta Burd was absent.

B.) Date of next meeting: January 8, 2004 @ 9:00 a.m., at the office of The Department of Financial Institutions, 30 South Meridian Street, Suite 300, Indianapolis, Indiana.

C.) A motion was made for approval of the minutes of the meeting held November 13, 2003, by Mr. Baer and was seconded by Mr. Davis. The minutes were unanimously approved.

D.) EXECUTIVE SESSION ACTION:

Ms. Briget Polichene made a motion in open session concerning the executive session discussion. It is as follows:

1. Ms. Polichene moved that, the Members delegate to the Director, Charles W. Phillips the authority to approve any merger of Jet Credit Union, sign any and all documents associated with a merger of the Jet Credit Union and permit the merger to become effective without the affirmative vote of the membership of Jet Credit Union pursuant to IC 28-7-1-33 (d). Mr. Mike Davis seconded the motion. The motion was unanimously approved.

E.) DIVISION OF BANK AND TRUST COMPANIES:

1. Floyd H. Garrott, Battle Ground, Tippecanoe County, Indiana

Mr. Kirk J. Schreiber, Senior Bank Analyst, presented this application. Floyd H. Garrott (the "Applicant") has applied to the Department for a change of control of The Farmers State Bank (the "Bank") Brookston, White County, Indiana, pursuant to IC 28-1-2-23.

The Bank is a state chartered commercial bank with total assets of approximately \$49 million. Applicant has been President of the Bank since 1988. Applicant is the son of former Chairman of the Bank, John Garrott, who passed away in 2001.

Upon distribution of the estate of John Garrott, 557 shares of the Bank's common stock were transferred to the John Garrott Trust per the Last Will and Testament of John Garrott. Applicant is the trustee of the John Garrott Trust and has full discretion of the voting rights of the Bank stock, and therefore, his control of the Bank stock has increased from approximately 8% to approximately 34%.

The change of control will have no effect on the Bank. The Federal Reserve Bank of Chicago is expected to approve this application.

The staff recommends approval of Floyd Garrott's application for change of control of the Farmers State Bank. A motion for approval of the application was made by Mr. Baer and seconded by Ms. Polichene. **The application was unanimously approved.**

F.) DIRECTOR'S COMMENTS:

1. James Cooper, Deputy Director discussed the department's **Policy to Establish Accounting and Auditing Standards Pursuant to IC 28-13-10-8 ("Policy")**. The policy currently allows a corporation's board of directors to engage a Certified Public Accountant to perform either a full scope audit or a restricted scope balance sheet only audit in order to satisfy the audit requirement contained in IC 28-13-10-8. A copy of the current policy was provided to the members of the department.

The staff of the department formed a committee to review the impact of the Sarbanes-Oxley Act of 2002 and other recent federal regulatory pronouncements on the department's policy.

The staff met with the representatives from the Indiana Bankers Association, Community Bankers Association, Association of Indiana Certified Public Accountants and representatives from several accounting firms to get their views on the policy. The Staff also sought input from all banks that utilize a restricted scope balance sheet only audit. Any revisions to the policy are not expected to be extensive. A final revised policy will be presented to the members during a meeting in the first quarter of 2004. This item was for informational purposes only.

G.) DIRECTOR'S DELEGATED ACTION:

1. **MARKLEBANK, MARKLE, HUNTINGTON COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch office to be located in the **6500 Block of West Jefferson Blvd., Fort Wayne, Allen County, Indiana**. The application was received on October 27, 2003. The branch is to be known as **MarkleBank**.

The proposed branch will be a newly constructed building on approximately 1.1 acres. The cost for the land is projected at \$450,000. The estimated costs for constructing the building is \$500,000. Furniture, fixtures, and equipment costs are projected at \$90,000. No relationship exists between parties involved in this transaction. The bank's three-year average ROA is 1.31%. As of June 30, 2003, the bank's ROA is 1.43% and its Tier 1 leverage capital ratio is 10.33%. The investment in total fixed assets to total capital will be 24.17% after the establishment of the branch. This will be the institution's fifth branch. **The Director approved this on November 20, 2003, under delegated authority.**

2. **ELBEREFELD STATE BANK, ELBERFELD, WARRICK COUNTY, INDIANA**

The bank has applied to the Department for approval to pay dividends in excess of what is permitted by IC 28-13-4-3. The bank's dividend request asks approval to pay a cash dividend of \$50,000 to the shareholders of record on December 1, 2003. As of September 30, 2003, the bank's Tier I leverage capital ratio is 10.41%. Pro forma Tier 1 leverage capital ratio as of September 30, 2003, would be 10.31% after the payment of the dividend. **The Director approved this on November 20, 2003, under delegated authority.**

3. **CITIZENS BANK, MOORESVILLE, MORGAN COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch office to be located at **2334 East County Line Road, Indianapolis, Marion County, Indiana**. The application was received on November 3, 2003. The branch is to be known as **Greenwood East Branch**. The proposed branch is a 4,900 square foot existing branch banking facility, formerly a Bank One branch. The bank is leasing the space from an independent third party for ten years with an annual rental of \$60,000 for the first year, \$120,000 for the second year increasing to \$200,000 at the end of the term of the lease. The lease agreement also gives the bank an option to purchase within the first nine lease years. According to President Gordon, the bank will exercise its option to purchase the property within the first year of the lease. The purchase price will be \$1,500,000. It is estimated there will be \$150,000 worth of leasehold improvements. Furniture, fixtures, and equipment costs are projected at \$100,000. No relationship exists between parties involved in this transaction. The bank's three-year average ROA is 1.42%. As of September 30, 2003, the bank's ROA is 1.48% and its Tier 1 leverage capital ratio is 10.94%. The investment in total fixed assets to total capital will be 12.81% after the establishment of the branch. This will be the institution's eleventh branch. **The Director approved this on November 24, 2003, under delegated authority.**

4. **FIRST STATE BANK OF MIDDLEBURY, MIDDLEBURY, ELKHART COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch office to be located at **1241 North Nappanee Street, Elkhart, Elkhart County, Indiana**. The application was received on October 27, 2003. The branch is to be known as **Elkhart West Branch**. The proposed branch is a newly constructed 5,500 square foot branch banking facility. The bank is leasing the space from its bank holding company, Crystal Valley

Financial Corporation, Middlebury, Indiana with an annual rental of \$180,000. Upon request the bank provided an independent analysis of comparable leased property in the Elkhart County area. The

independent analysis showed that the proposed price per square foot of \$32.73 for a newly constructed branch building was reasonable. The terms of the lease call for monthly rental of \$15,000 for ten years plus an option to renew for one extension of ten years. Furniture, fixtures, and equipment costs are projected at \$300,000. The bank's three-year average ROA is 1.08%. As of September 30, 2003, the bank's ROA is 1.15% and its Tier 1 leverage capital ratio is 8.23%. The investment in total fixed assets to total capital will be 10.61% after the establishment of the branch. This will be the institution's fourth branch. **The Director approved this on November 24, 2003, under delegated authority.**

5. **THE MERCHANTS BANK & TRUST COMPANY, WEST HARRISON, DEARBORN COUNTY, INDIANA**

The bank has applied to the Department for approval to relocate a branch office from **23998 Stateline Road, Bright, Dearborn County, Indiana** to **24004 Stateline Road, Bright, Dearborn County, Indiana**. The application was received on November 20, 2003. The branch is to be known as **Merchants Bank & Trust Company, Bright Office**. The proposed branch is being constructed on land owned by the bank adjacent to the existing office. The bank has owned this additional land for a number of years with the intention of building a new branch on it. The branch will cost \$698,000 and has 3,970 square feet. Furniture, fixtures, and equipment costs are projected at \$144,000. It is the bank's intention to transfer the old office building and excess land to its financial holding company, MBT Bancorp. The bank's three-year average ROA is 1.20%. As of September 30, 2003, the bank's ROA is 1.14% and its Tier 1 leverage capital ratio is 10.59%. The investment in total fixed assets to total capital will be 21.42% after the establishment of the branch and transfer of excess land and old branch to the holding company. The bank will continue to have three branches. **The Director approved this on November 24, 2003, under delegated authority.**

6. **TAPER LOCK CREDIT UNION, MISHAWAKA, ST. JOSEPH COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Fisher Insurance/Able Realty – Ligonier – 8 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on November 17, 2003, under delegated authority.**

7. **DOUBLE ELEVEN CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a

credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Hubler Ford-Lincoln-Mercury – Shelbyville – 36 members (common bond of occupation as defined by 28-7-1-10).

Mark's RV Sales – Greenfield - 30 members (common bond of occupation as defined by 28-7-1-10).

Collins Lincoln-Mercury – Indianapolis – 47 members (common bond of occupation as defined by 28-7-1-10).

Tom Wood Ford – Indianapolis – 95 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on November 17, 2003, under delegated authority.**

8. **MEMBERS ADVANTAGE CREDIT UNION, MICHIGAN CITY, LAPORTE COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

The True Blue Company – LaPorte – 250 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on November 24, 2003, under delegated authority.**

9. **TECH CREDIT UNION, CROWN POINT, LAKE COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Southwest Transit, Inc. – Crestwood, IL – 125 members (common bond of occupation as defined by 28-7-1-10).

City Automotive Group, Inc. – Chicago, IL – 75 members (common bond of occupation as defined by 28-7-1-10).

PVS Chemical Solutions, Inc. – Chicago, IL – 47 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on December 3, 2003, under delegated authority.**

10. **CENTRA CREDIT UNION, COLUMBUS, BARTHOLOMEW COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Woodley Building Maintenance – Kansas City, MO – 800 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on December 3, 2003, under delegated authority.**

11. **American Home Equity Corporation** is requesting a consumer loan license. Applicant is based in Irvine, CA. They will be making second mortgage loans. They will not be servicing their loans. The title company will close loans. They currently operate in nine states. Applicant is recommended for approval. **The Director approved this on November 6, 2003, under delegated authority.**
12. **Century Mortgage Co.** is requesting a consumer loan license. Applicant is based in Louisville, KY. They will be making second mortgage loans. They will not be servicing their loans. They will have branches in Carmel and New Albany. They currently operate in Kentucky. Applicant is recommended for approval. **The Director approved this on November 6, 2003, under delegated authority.**
13. **Global Home Loans & Finance, Inc.** is requesting a consumer loan license. Applicant is based in Hauppauge, NY. They will be making second mortgage loans. They will not be servicing their loans. The title company will close loans. They currently operate in three states. Applicant is recommended for approval. **The Director approved this on November 6, 2003, under delegated authority.**
14. **IFC Financial Corporation** is requesting a consumer loan license. Applicant is based in Chesterfield, IN. They will be making auto loans and purchase retail contracts from auto dealers. They will be servicing their loans. Entities have shared ownership with Indiana Finance Company, Loan License #1226. Applicant is recommended for approval. **The Director approved this on November 6, 2003, under delegated authority.**
15. **Integrity Financial Services, Inc.** is requesting a consumer loan license. Applicant is based in Oak Brook, IL. They will be making second mortgage loans. They will not be servicing their loans. The title company will close loans. They currently operate in five states. Applicant is recommended for approval. **The Director approved this on November 6, 2003, under delegated authority.**
16. **JLM Direct Funding d/b/a JLM Direct Funding Limited Partnership** is requesting a consumer loan license. Applicant is based in Houston, TX. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed by the title company/attorneys. They currently operate in 46 states. Applicant is recommended for approval. **The Director approved this on November 6, 2003, under delegated authority.**
17. **Superior Mortgage Corp. d/b/a Superior Home Mortgage Corp.** is requesting a consumer loan license. Applicant is based in Tuckerton, NJ. They will be making second mortgage loans. They will not be servicing their loans. They will have a location in Elkhart, Indiana. Loans will be closed by title company/attorneys. They currently operate in 17 states. Applicant is recommended for approval. **The Director approved this on November**

6, 2003, under delegated authority.

- 18. Centra Financial Services, LLC** is requesting a check casher license. Applicant is based in Columbus, IN. They will have 14 locations in Indiana. They will be cashing government and payroll checks, no personal checks. Applicant is owned by Centra Credit Union, a State Chartered Credit Union. References were all satisfactory. Fee will be 2.5% or less of check with a \$5.00 minimum fee. Applicant is recommended for approval. **The Director approved this on November 6, 2003, under delegated authority.**
- 19. Randy Weber d/b/a Randy's Cash and Go** is requesting a check casher license. Applicant is based in Lebanon, IN. He will be cashing payroll checks in the construction industry. References were all satisfactory. Fee will be 1% per \$100. Applicant is recommended for approval. **The Director approved this on November 6, 2003, under delegated authority.**
- 20. Wal-Mart Stores East, LP** is requesting a check casher license. Applicant is based in Bentonville, AK. They will have 86 locations in Indiana. They will be cashing payroll checks. References were all satisfactory. Fee will be 2% to 3%. They currently are licensed as check casher in four states. They are planning to operate in all states after licensing as needed. Applicant is recommended for approval. **The Director approved this on November 6, 2003, under delegated authority.**
- 21. American Financial Integrity, Inc.** is requesting a money transmitter license. Applicant is based in Chicago, IL. American Financial Integrity, Inc. will issue money orders in their name. They will have five locations in Indiana. Principals in this entity are also principals in Each Chicago Check Cashers, Inc., which has a payday loan license #1505 and a check casher license # 58. They currently operate in Illinois and Arizona. They have met all of the financial requirements under the Act. Applicant is recommended for approval. **The Director approved this on November 6, 2003, under delegated authority.**
- 22. First Extended Service Corp** is requesting approval as third party administrator for a Guaranteed Auto Protection (GAP) Program. Applicant is based in Dallas, TX. Maximum cost to customer is \$420. Customer's deductible is covered up to \$1,000. There is a free-look period of 30 days. Refund upon prepayment in full is based on the Rule of 78ths. Indiana dealers prior to approval of this program issued 171 GAP agreements. Customers will be given a new 30-day free-look period if no claim has been filed. They currently operate in 40 states. There is a contractual liability policy issued by United Financial Casualty Company. The initial dealer requesting approval is Christenson Chevrolet. All future dealers will agree to abide by the same terms as those approved. Approval is subject to review at a future date as deemed necessary by the Department. It is recommended that the program be approved as submitted and subject to the above conditions. This is provided for under IC 24-4.5-2-202 (1)(c). **The Director approved this on November 6, 2003, under delegated authority subject to the above conditions.**

- 23. Universal Benefits Corporation** is requesting approval as third party administrator for a Guaranteed Auto Protection (GAP) Program. Applicant is based in Atlanta, GA. Maximum cost to customer is \$385. Customer's deductible is covered up to \$1,000. Free-look period is 60 days. There is no rebate upon prepayment in full. There is a contractual liability policy issued by Stonebridge Casualty Insurance Co. The initial dealer requesting approval is Taper Lock Credit Union. All future dealers will agree to abide by the same terms as those approved. Approval is subject to review at a future date as deemed necessary by the Department. It is recommended that the program be approved as submitted and subject to the above conditions. This is provided for under IC 24-4.5-2-202 (1)(c). **The Director approved this on November 6, 2003, under delegated authority.**

CERTIFICATION:

The Department certifies that the business discussed in the Executive Session was limited only to business that was set out in the Department's Notice of Meeting and Agenda under the heading of "Executive Session." All action taken by the Department, if any, relating to the business discussed in the Executive Session was conducted in the Public Session.

There being no further business to come before the Members, a motion to adjourn the meeting was made by Mr. Davis and seconded by Mr. Baer. **The motion was unanimously approved.**

APPROVED:

ATTEST:

David A. Bochnowski, Chairman

James M. Cooper, Acting Secretary